SUBMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 96-04	2. STATE: MA
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) Title XIX	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE April 6, 1996

TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

FEDERAL STATUTE/REGULATION CITATION: 42 U.S.C. 1396r -4; 42 CFR 447	7. FEDERAL BUDGET IMPACT: a. FFY 96 $ 2 million b. FFY 97 $ 4 million
PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19A(1) Page 35a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Attachment 4.19A(1) Same

SUBJECT OF AMENDMENT:

Acute Hospital Inpatient Disproportionate Share Adjustments

GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
Not Required Under 45 CFR 204.1

SIGNATURE OF STATE AGENCY OFFICIAL: Bruce M. Bullen	16. RETURN TO: Bridget Landers Coordinator, SPA Division of Medical Assistance, 3rd Floor 600 Washington Street Boston, MA 02111
TYPED NAME: Bruce M. Bullen	
TITLE Commissioner, Division of Medical Assistance	
DATE SUBMITTED: 6/[illegible] 96	

FOR REGIONAL OFFICE USE ONLY

DATE RECEIVED: June 30, 1996	18. DATE APPROVED JUN 06 2001
PLAN APPROVED - ONE COPY ATTACHED	
EFFECTIVE DATE OF APPROVED MATERIAL: April 6, 1996	20. SIGNATURE OF REGIONAL OFFICIAL: Dennis M. Maloney for
TYPED NAME: Ronald P. Preston	22. TITLE: Ronald Preston Associate Regional Administrator, DMSO

REMARKS:

JUN 06 2001

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State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement

Rate Setting Commission at 114.1 CMR 36.13(10)(c) (attached as **Exhibit 5**). Payments will be made by the Division to eligible hospitals in accordance with their agreements with the Division concerning intergovernmental transfer of funds.

4. Uncompensated Care Disproportionate Share Adjustment

Hospitals eligible for this adjustment are those acute facilities that incur "free care costs" as defined in regulations of the Department of Medical Security (DMS) at 117 CMR 7.00 (attached as **Exhibit 6**). The payment amounts for eligible hospitals participating in the free care pool are determined and paid by the Department of Medical Security in accordance with its regulations at 117 CMR 7.00.

5. Commonhealth Program Disproportionate Share Adjustment

Hospitals eligible for this adjustment are those acute facilities that provide hospital services pursuant to the Commonhealth program to certain low-income disabled individuals who are covered by a wholly state-financed program of medical assistance of the Division of Medical Assistance, as defined in the Division's regulations at 130 CMR 490.000 and 130 CMR 510.000-515.000 (attached as **Exhibit 7**). The payment amounts for eligible hospitals receiving payments pursuant to the Commonhealth program are determined and paid on a periodic basis by the Division of Medical Assistance in accordance with its regulations at 130 CMR 490.000 and 130 CMR 510.000-515.000. The statutory authority is found at MGL c. 118E §§ 16 and 16A (attached as **Exhibit 8**).

6. Medical Security Unemployment Disproportionate Share Adjustment

Hospitals eligible for this adjustment are those acute facilities that provide hospital services to low income unemployed individuals who are uninsured or covered only by a wholly state-financed program of medical assistance of the Department of Medical Security, in accordance with the regulations of the DMS set forth at 117 CMR 9.00 (attached as **Exhibit 9**). The payment amounts for eligible hospitals participating in the Medical Security plan are determined and paid by the Department of Medical Security in accordance with its regulations at 117 CMR

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The payment amount for each eligible hospital equals the hospital's cost-to-charge ratio calculated using Medicare cost principles, times the hospital's allowable charges for each eligible uninsured unemployed individual participating in the Medical Security direct service plan. Such payments shall be adjusted if necessary, to ensure that a qualifying hospital's total disproportionate share adjustment payments for a fiscal year under the State Plan do not exceed 100% of such hospital's total unreimbursed free care and unreimbursed Medicaid costs for the same fiscal year. Such unreimbursed costs shall be calculated by the Division using the best data available, as determined by the Division for the fiscal year.

D. Treatment of Reimbursement for Recipients in the Hospital on the Effective Date of the Hospital Contract

Except where payments are made on a per diem basis, reimbursement to participating hospitals for services provided to Medicaid recipients who are at acute inpatient status prior to October 1, 1995 and who remain at acute inpatient status on October 1, 1995 shall continue to be at the hospital's rates established prior to the RY96 RFA.

E. Upper Limit

Payment adjustments may be made for reasons relating to the Upper Limit if the number of hospitals that apply and qualify changes, if updated information necessitates a change, or as otherwise required by the Health Care Financing Administration (HCFA).

F. Future Rate Years

Adjustments may be made each rate year to update rates.

9.00 and its ISA with the Division. The statutory authority is found at MGL c. 118F § 9A and MGL c. 151A § 14G (attached as **Exhibit 10**).

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G. *Errors in Calculation of Pass-through Amounts, Direct Medical Education Cost or Capital Costs*

If a transcription error occurred or if the incorrect line was transcribed in the calculation of pass-through costs, direct medical education costs or capital costs, resulting in an amount not consistent with the methodology, a correction can be made at any time during the term of the contract upon agreement by both parties. Such corrections will be made to the final hospital-specific rate retroactive to the effective date of the contract resulting from the RFA but will not affect computation of the statewide average payment amount or of any of the efficiency standards applied to inpatient costs, or to capital costs. Hospitals must submit copies of the relevant report as referenced in Data Sources (Section IV.1), highlighting items found to be in error, to Kiki Feldmar, Division of Medical Assistance, Benefit Services, 5th floor, 600 Washington Street, Boston, MA 02111 during the term of the contract to initiate a correction.

H. *Hospital Mergers*

Hospitals that have merged after October 1, 1990 and have applied for and received a single inpatient Medicare provider number, a single inpatient Medicaid provider number, and single outpatient Medicaid provider number (excluding hospital-licensed health centers) shall be assigned a single combined weighted average for each of the following: SPAD, transfer, outlier, chronic, and psychiatric per diem rates, and cost-to-charge ratio. The weights shall equal each hospital's FY90 Medicaid discharges as a proportion of total Medicaid discharges for the merged hospitals, and shall be applied to the RY96 RFA inpatient rates which were calculated for each hospital. The administrative day per diem rate shall not be recalculated.

I. *New Hospitals*

The rates of reimbursement for a newly participating hospital shall be determined in accordance with the provisions of this RFA to the extent the Division deems possible. If data sources specified by this RFA are not

available, or if other factors do not permit precise conformity with the provisions of the RFA, the Division shall select such substitute data sources or other methodology(ies) which the Division deems appropriate in determining the hospital's rates. Such rates shall not affect computation of the statewide average payment amount or any of the efficiency standards applied to inpatient costs or to capital costs.

INSTITUTIONAL STATE PLAN
ASSURANCE AND FINDING CERTIFICATION STATEMENT

STATE: Massachusetts
TN: 96-004

REIMBURSEMENT TYPE:

Inpatient hospital	x
Nursing facility	
ICF/MR	

PROPOSED EFFECTIVE DATES: April 6, 1996

A. *State Assurances and Findings. The State assures that it has made the following findings:*

1. *447.253(b)(1)(i) - The State pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.* x

2. *With respect to inpatient hospital services --*

   a. *447.253(b)(1)(ii)(A) - The methods and standards used to determine payment rates take into account the situation of hospitals which serve a disproportionate number of low income patients with special needs.* x

   b. *447.253(b)(1)(ii)(B) - If a State elects in its State plan to cover inappropriate level of care services (that is, services furnished to hospital inpatients who require a lower covered level of care such as skilled nursing services or intermediate care services) under conditions similar to those described in section 1861(v)(1)(G) of the Act, the methods and standards used to determine payment rates must specify that the payments for this type of care must be made at rates lower than those for inpatient hospital level of care services, reflecting the level of care actually received, in a manner consistent with section 1861(v)(1)(G) of the Act.* x

   If the answer is "not applicable," please indicate:

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   c. *447.253(b)(1)(ii)(C) - The payment rates are adequate to assure that recipients have reasonable access, taking into account geographic location and reasonable travel time, to inpatient hospital services of adequate quality.* x

3. *With respect to nursing facility services --*

   a. *447.253(b)(1)(iii)(A) - Except for preadmission screening for individuals with mental illness and mental retardation under 42 CFR 483.20(f), the methods and standards used to determine payment rates take into account the costs of complying with the requirements of 42 CFR part 483 subpart B.* n/a

b. 447.253(b)(1)(iii)(B) - The methods and standards used to determine payment rates provide for an appropriate reduction to take into account the lower costs (if any) of the facility for nursing care under a waiver of the requirement in 42 CFR 483.30(c) to provide licensed nurses on a 24-hour basis. n/a

c. 447.253(b)(1)(iii)(C) - The State has established procedures under which the data and methodology used to establish payment rates are made available to the public. n/a

4. 447.253(b)(2) - The proposed payment rate will not exceed the upper payment limits as specified in 42 CFR 447.272:

a. 447.272(a) - Aggregate payments to each group of health care facilities (hospitals, nursing facilities, and ICFs/MR) will not exceed the amount that can reasonably be estimated would have been paid for those services under Medicare payment principles. x

b. 447.272(b) - Aggregate payments to each group of State-operated facilities (that is, hospitals, nursing facilities, and ICFs/MR) -- when considered separately -- will not exceed the amount that can reasonably be estimated would have been paid for under Medicare payment principles. x

If there are no State-operated facilities, please indicate "not applicable:" _____

c. 447.272(c) - Aggregate disproportionate share hospital (DSH) payments do not exceed the DSH payment limits at 42 CFR 447.296 through 447.299. x

d. Section 1923(g) - DSH payments to individual providers will not exceed the hospital-specific DSH limits in section 1923(g) of the Act. x

B. State Assurances. The State makes the following additional assurances:

1. For hospitals --

a. 447.253(c) - In determining payment when there has been a sale or transfer of the assets of a hospital, the State's methods and standards provide that payment rates can reasonably be expected not to increase in the aggregate solely as a result of changes of ownership, more than payments would increase under Medicare under 42 CFR 413.130, 413.134, 413.153 and 413.157 insofar as these sections affect payment for depreciation, interest on capital indebtedness, return on equity (if applicable) acquisition costs for which payments were previously made to prior owners, and the recapture of depreciation. x

2. *For nursing facilities and ICFs/MR--*

   a. *447.253(d)(1) - When there has been a sale or transfer of the assets of a NF or ICF/MR on or after July 18, 1984 but before October 1, 1985, the State's methods and standards provide that payment rates can reasonably be expected not to increase in the aggregate, solely as a result of a change in ownership, more than payments would increase under Medicare under 42 CFR 413.130, 413.134, 413.153 and 413.157 insofar as these sections affect payment for depreciation, interest on capital indebtedness, return on equity (if applicable), acquisition costs for which payments were previously made to prior owners, and the recapture of depreciation.* n/a

   b. *447.253(d)(2) - When there has been a sale or transfer of the assets of a NF or ICF/MR on or after October 1, 1985, the State's methods and standards provide that the valuation of capital assets for purposes of determining payment rates will not increase (as measured from the date of acquisition by the seller to the date of the change of ownership) solely as a result of a change of ownership, by more than the lesser of:*

      (i) 1/2 of the percentage increase (as measured from the date of acquisition by the seller to the date of the change of ownership) in the Dodge construction index applied in the aggregate with respect to those facilities that have undergone a change of ownership during the fiscal year; or

      (ii) 1/2 of the percentage increase (as measured from the date of acquisition by the seller to the date of the change of ownership) in the Consumer Price Index for All Urban Consumers (CPI-U) (United States city average) applied in the aggregate with respect to those facilities that have undergone a change of ownership during the fiscal year. n/a

3. *447.253(e) - The State provides for an appeals or exception procedure that allows individual providers an opportunity to submit additional evidence and receive prompt administrative review, with respect to such issues as the State determines appropriate, of payment rates.* x

4. *447.253(f) - The State requires the filing of uniform cost reports by each participating provider.* x

5. *447.253(g) - The State provides for periodic audits of the financial and statistical records of participating providers.* x

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6. 447.253(h) - The State has complied with the public notice requirements of 42 CFR 447.205.

Notice published on: April 5, 1996

If no date is shown, please explain: _____

7. 447.253(i) - The State pays for inpatient hospital and long-term care services using rates determined in accordance with the methods and standards specified in the approved State plan. x

C. Related Information

1. 447.255(a) - NOTE: If this plan amendment affects more than one type of provider (e.g., hospital, NF, and ICF/MR; or DSH payments) provide the following rate information for each provider type, or the DSH payments. You may attach supplemental pages as necessary.

Provider Type: Inpatient Acute Hospital

For hospitals: Include DSH payments in the estimated average rates. You may either combine hospital and DSH payments or show DSH separately. If including DSH payments in a combined rate, please initial that DSH payment are included. _____
Estimated average proposed payment rate as a result of this amendment: see attached
Average payment rate in effect for the immediately preceding rate period: see attached
Amount of change: see attached
Percentage of change: see attached

2. 447.255(b) - Provide an estimate of the short-term and, to the extent feasible, long-term effect the change in the estimated average rate will have on:

(a) The availability of services on a statewide and geographic area basis: no effect

(b) The type of care furnished: no effect

(c) The extent of provider participation: no effect

(d) For hospitals -- the degree to which costs are covered in hospitals that serve a disproportionate number of low income patients with special needs: Title XIX payments to disproportionate share hospitals will increase by approximately $8 million annually.

I HEREBY CERTIFY that to the best of my knowledge and belief, the information provided is true, correct, and a complete statement prepared in accordance with applicable instructions.

Completed by _____ *Date* 6/27/96
Title: Manager of Acute Hospital Services
Division of Medical Assistance

Related Rate Attachment to Assurance and Finding Certification Statement

In accordance with 42 CFR 447.255, the Medicaid agency provides the following information on FY96 estimated average rates and the amount by which these have changed before and after the effective date of the State Plan Amendment.

Period	Estimated Acute Per Diem	Projected Annual Disproportionate Share Hospital Payments
10/1/95 – 4/5/96	$979.15	$412 M
4/6/96 – 9/30/96	$979.15	$416 M
Difference:	0%	0.97%

In accordance with 42 CFR 447.255, the Medicaid agency estimates that the change in estimated average rates will have no negative short-term or long-term effect on: the availability of services (both on a statewide and geographic basis); the type of care furnished; and the extent of provider participation. The Medicaid agency estimates that the degree to which hospital costs are covered will increase approximately $4 million in FY96 as a result of the MSP disproportionate share amendment. The CommonHealth disproportionate share amendment has been withdrawn.